

March 23, 2016

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket 4599 - 2016 Retail Rates Filing
Responses to PUC Data Requests – Set 3**

Dear Ms. Massaro:

Enclosed are ten (10) copies of the Company's¹ responses to the third set of data requests issued by the Rhode Island Public Utilities Commission in the above-referenced docket.

Thank you for your attention to this transmittal. If you have any questions, please contact me at 401-784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Docket 4599 Service List
Steve Scialabba, Division
Leo Wold, Esq.

¹ The Narragansett Electric Company d/b/a National Grid (the Company).

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.



Joanne M. Scanlon

March 23, 2016

Date

National Grid – 2016 Annual Retail Rate Filing - Docket No. 4599 Service List Updated 3/18/16

Name/Address	E-mail Distribution	Phone
Jennifer Brooks Hutchinson, Esq. National Grid. 280 Melrose St. Providence, RI 02907	Jennifer.hutchinson@nationalgrid.com ;	401-784-7667
	Celia.obrien@nationalgrid.com ;	
	Joanne.scanlon@nationalgrid.com ;	
	Adam.crary@nationalgrid.com ;	
	Tiffany.forsyth@nationalgrid.com ;	
Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	lwold@riag.ri.gov ;	401-222-2424
	Steve.scialabba@dpuc.ri.gov ;	
	Al.mancini@dpuc.ri.gov ;	
	dmacrae@riag.ri.gov ;	
	Jmunoz@riag.ri.gov ;	
Richard Hahn Mary Neal Daymark Energy Advisors	rhahn@daymarkea.com ;	617-778-2467
	mneal@daymarkea.com ;	
File an original & 9 copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	Luly.massaro@puc.ri.gov ;	401-780-2017
	Cynthia.WilsonFrias@puc.ri.gov ;	
	Alan.nault@puc.ri.gov ;	
	Todd.bianco@puc.ri.gov ;	
Office of Energy Resources Nicholas Ucci Christopher Kearns	Nicholas.ucci@energy.ri.gov ;	
	Christopher.Kearns@energy.ri.gov ;	

COMM 3-1

Request:

Provide in detail the reasons for the high over-recovery (\$4.8 million) and resulting credit (1.427/kWh) in the SOS adjustment factor for the industrial class. Include in your response whether and to what extent this is attributable to customer migration.

Response:

During a re-examination of Standard Offer Service (SOS) expenses, the Company uncovered several invoicing errors from one SOS supplier, such that the invoices were incorrectly labelled by customer group (Residential, Commercial, and Industrial), during several months in the reconciliation period. The Company corrected these errors in Schedule ASC-2 Revised, Standard Offer Service Reconciliation, which was submitted to the Commission on March 21, 2016. In addition, the Company discovered and corrected two data entry errors, resulting in a net increase to overall SOS expenses of \$27,330.

These corrections result in a revised net over-recovery balance of SOS of \$9,987,818, which is comprised of the following balances per customer group:

Residential:	\$8,629,236	(over-recovery)
Commercial:	(\$2,021,026)	(under-recovery)
Industrial:	\$3,379,609	(over-recovery)

These corrections reduce the Industrial Group over-recovery by approximately \$1.4 million from the Company's initial filing.¹ The resulting revised SOS Adjustment Factor (SOSAF) credit of (\$0.01014) per kWh² is also reduced from the original proposed SOSAF credit of (\$0.01427). However, the revised SOSAF is still relatively high (in absolute value) as compared to prior years' SOSAFs due to lower forecasted Industrial Group SOS kWh consumption of 338,642,847³ during the refund/recovery period. Attachment COMM 3-1 (a) illustrates the methodology used to derive the forecasted SOS kWh per rate class. Attachment COMM 3-1 (b), Section 1 illustrates the reduction of SOS kWh consumption in relation to total kWh deliveries for the Industrial Group from January 2015 to January 2016, which is a result of customer migration to non-regulated power producers. Attachment COMM 3-1 (b), Section 2 provides illustrative Industrial Group SOSAFs, derived from different ratios of SOS kWh consumption to total deliveries.

¹ RIPUC Docket No. 4599, Schedule ASC-2, Page 4 of 7, Ending Balance Including Interest.

² Schedule ASC-3 Revised, Page 1 of 2, Line (5).

³ Schedule ASC-3 Revised, Page 1 of 2, Line (4).

Section 1: Calculation of SOS consumption % of total

	Residential	Commercial	Industrial
(1) Jan16 SOS kWhs>>	241,561,534	82,850,844	25,557,238
(2) Jan16 Total kWhs>>	269,041,414	163,863,381	194,622,477
(3) Jan 2016 % of SOS kWhs to Total kWhs	89.79%	50.56%	13.13%

Section 2: SOS Forecast for FY 17

	Residential	Commercial	Industrial	Total Forecasted kWhs
(4)				
4/1/2016	231,729,458	150,818,289	203,396,553	585,944,300
5/1/2016	191,960,259	139,776,824	194,076,294	525,813,377
6/1/2016	219,755,557	160,415,420	213,616,735	593,787,712
7/1/2016	298,405,984	180,726,574	229,629,794	708,762,351
8/1/2016	329,054,601	189,858,691	243,768,450	762,681,743
9/1/2016	291,858,743	187,218,879	237,825,873	716,903,495
10/1/2016	220,255,876	157,944,757	222,764,216	600,964,848
11/1/2016	209,639,857	152,808,282	207,934,909	570,383,048
12/1/2016	251,407,469	157,410,918	205,765,634	614,584,021
1/1/2017	282,048,825	157,448,299	202,781,601	642,278,724
2/1/2017	281,379,478	168,207,270	213,920,623	663,507,371
3/1/2017	258,421,483	161,689,117	203,339,052	623,449,652
Total	3,065,917,589	1,964,323,320	2,578,819,733	7,609,060,643
(5) % of SOS kWh to Total	89.79%	50.56%	13.13%	
(6) Forecasted SOS kWh	2,752,764,881	993,180,075	338,642,847	4,084,587,802

Line Description:

- (1) per Company reports
- (2) per Company reports
- (3) Line (1) divided by Line (2)
- (4) per Company forecast
- (5) per Line (3)
- (6) Totals from Line (4) x Line (5)

Narragansett Electric Company
Trending of Industrial SOS kWhs

Section 1: Industrial Rate class -SOS consumption % of total

	<u>January 2015</u>	<u>April 2015</u>	<u>July 2015</u>	<u>September 2015</u>	<u>January 2016</u>
	(a)	(b)	(c)	(d)	(e)
(1) SOS kWhs	64,171,388	46,362,026	43,599,595	45,522,574	25,557,238
(2) Total kWhs	197,765,040	200,305,589	209,520,459	234,189,340	194,622,477
(3) % of SOS kWhs to Total kWhs [(1) ÷ (2)]	32.4%	23.1%	20.8%	19.4%	13.1%

Source: Company reports

Section 2: Illustrative Industrial SOS Adjustment Factors

(4) Industrial Group FY17 kWh Forecast	2,578,819,733				
(5) SOS kWh Percentage of Total kWh	32.4%	23.1%	20.8%	19.4%	
(6) Illustrative Industrial Group SOS Forecast	836,783,092	596,884,531	536,632,539	501,280,341	
(7) 2015 Industrial Group SOS Over-Recovery	(\$3,436,607)				
(8) Illustrative Industrial Group SOS Adj. Factors	(\$0.00410)	(\$0.00575)	(\$0.00640)	(\$0.00685)	

Line Description:

- (4) per Company Forecast
- (5) Line (3)
- (6) Line (4) x Line (5)
- (7) RIPUC 4599, Schedule ASC-3 Revised, Page 1, Line (3)
- (8) Line (6) ÷ Line (7)

COMM 3-2

Request:

Explain in detail the \$80.7 million adjustment to cash working capital referenced on page 3-4 of the Division memorandum.

Response:

A component of National Grid's SAP implementation was the integration of the separate Rhode Island gas and electric general ledgers that existed prior to SAP into one general ledger in SAP. As part of that integration, a subset of amounts billed in the Company's customer service system (CSS) for electric and gas services was incorrectly translated to the wrong operating segment. While customers receive separate charges and bills for electric and gas services, on a net basis, amounts billed for electric service were incorrectly mapped in the Company's general ledger as gas accounts receivable. This resulted in an understatement of electric accounts receivable. The Company analyzed and reconciled electric and gas accounts receivable balances between CSS and the general ledger and recorded an entry in March 2015 to reclassify the cumulative impact of the misposting through December 2014 of \$80.7 million. Since that entry was recorded, on a quarterly basis, the Company analyzes and reconciles electric and gas accounts receivable between CSS and the general ledger and records similar reclassification entries to accurately segment its accounts receivable in its general ledger between electric and gas.

Monthly electric accounts receivable balances during calendar year 2015 reflected in Schedule ASC-6, Page 7, column (a), reflect the correction of electric accounts receivable, normalized back to the beginning of the year,¹ as well as the quarterly entries through the remainder of the year. In prior cash working capital (CWC) studies, the electric accounts receivable balances were understated, resulting in the appearance of accounts receivable being paid off more quickly (fewer days outstanding) and, consequently, a lower CWC percentage. The lower CWC percentage was applied to Standard Offer Service payments to suppliers and, ultimately, a lower CWC impact than what would have been filed if the electric accounts receivable balances for calendar years 2013 and 2014 were properly stated.

This misclassification of electric and gas accounts receivable on the Company's general ledger does not affect the CWC impact on gas supply costs included in past Gas Cost Recovery (GCR) filings as the CWC impact is calculated differently pursuant to the Company's gas tariff. In the Company's GCR filings, the Company calculates the CWC impact using the customer payment lag approved in Docket No. 4323, the Company's most recent general rate case. The Company

¹ The Company recorded its first reclassification entry in March 2015. The Company removed the impact of that entry that related to pre-2015 activity from March 2015 and reflected that impact in the January 2015 accounts receivable balance.

COMM 3-2, page 2

does not update the customer payment lag or the CWC percentage in the GCR CWC calculation and, therefore, the working capital impact in the GCR was unaffected. The Company similarly uses the CWC percentage from Docket No. 4323 to calculate CWC in its annual gas earnings reports and, therefore, the CWC amounts reflected in the Company's gas earnings reports are also unaffected.